

DEPT OF TREASURY  
OCT 28 2004  
LOCAL AUDIT & FINANCE DIV.  
10/28/04  
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**TOWNSHIP OF KIMBALL  
ST. CLAIR COUNTY, MICHIGAN**

74-1170

**FINANCIAL STATEMENTS  
MARCH 31, 2004**

**TOWNSHIP OFFICIALS**

Supervisor	Laura Sturdevant
Clerk	Joyce Shaffer
Treasurer	Brian Anglebrant
Trustees	Clifford Dease, Donna Gracey Ed Kilroy, Sue Halifax

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Kimball Township</b>	County <b>St. Clair</b>
Audit Date <b>3/31/04</b>	Opinion Date <b>9/27/04</b>	Date Accountant Report Submitted to State: <b>10-28-04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).			✓

Certified Public Accountant (Firm Name) <b>Andrews, Hooper &amp; Pavlik, PLC.</b>			
Street Address <b>3201 University Drive</b>	City <b>Auburn Hills</b>	State <b>MI</b>	ZIP <b>48326</b>
Accountant Signature <i>Roger Hutchcock</i> <b>CRA</b>		Date <b>10-28-04</b>	

**TOWNSHIP OF KIMBALL  
ST. CLAIR COUNTY, MICHIGAN**

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**ANDREWS HOOPER & PAVLIK P.L.C.**  
Certified Public Accountants

REPORT OF INDEPENDENT AUDITORS

To the Township Officials  
Township of Kimball  
St. Clair County  
Kimball, Michigan 48074

We have audited the accompanying general purpose financial statements of the Township of Kimball, St. Clair County, Michigan, as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Kimball, St. Clair County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Andrews Hooper & Pavlik P.L.C.*

Auburn Hills, Michigan  
September 27, 2004

**TOWNSHIP OF KIMBALL**  
**ST. CLAIR COUNTY, MICHIGAN**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**March 31, 2004**

	Governmental Fund Types		Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Debt	
<b>ASSETS</b>							
Cash and cash equivalents	\$ 1,694,984	\$ 8,415	\$ 5,781,888	\$ 101,792			\$ 7,587,079
Receivables							
Accounts	50,558		184,839				235,397
Special assessments			4,912,421				4,912,421
Due from other funds	211,702		28,751	425			240,878
Prepaid expenses	23,904						23,904
Bond amortization (net of amortization)			69,748				69,748
Fixed assets (net of accumulated depreciation)			8,042,690		\$ 2,409,035		10,451,725
Amount to be provided for retirement of long-term debt						\$ 69,709	69,709
Total assets	<u>\$ 1,981,148</u>	<u>\$ 8,415</u>	<u>\$ 19,020,337</u>	<u>\$ 102,217</u>	<u>\$ 2,409,035</u>	<u>\$ 69,709</u>	<u>\$ 23,590,861</u>
<b>LIABILITIES AND FUND EQUITIES</b>							
<b>Liabilities</b>							
Accounts payable	\$ 177,049		\$ 445,770				\$ 622,819
Accrued expenses	11,927		85,358				97,285
Compensated absences						\$ 7,111	7,111
Due to other funds	425	\$ 9,080	187,275	\$ 44,098			240,878
Due to others				37,086			37,086
Bonds payable			4,400,000				4,400,000
Contracts and loans payable						62,598	62,598
Total liabilities	<u>189,401</u>	<u>9,080</u>	<u>5,118,403</u>	<u>81,184</u>		<u>69,709</u>	<u>5,467,777</u>
<b>Fund equities</b>							
Investment in general fixed assets					\$ 2,409,035		2,409,035
Contributed capital			4,835,751				4,835,751
Retained earnings			9,066,183				9,066,183
Fund balances							
Reserved - liquor enforcement		(665)					(665)
Reserved - cemetery care				21,033			21,033
Unreserved and undesignated	1,791,747						1,791,747
Total fund equities	<u>1,791,747</u>	<u>(665)</u>	<u>13,901,934</u>	<u>21,033</u>	<u>2,409,035</u>		<u>18,123,084</u>
Total liabilities and fund equities	<u>\$ 1,981,148</u>	<u>\$ 8,415</u>	<u>\$ 19,020,337</u>	<u>\$ 102,217</u>	<u>\$ 2,409,035</u>	<u>\$ 69,709</u>	<u>\$ 23,590,861</u>

The accompanying notes are an integral part of the financial statements

**TOWNSHIP OF KIMBALL**  
**ST. CLAIR COUNTY, MICHIGAN**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES**  
**Year ended March 31, 2004**

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
<b>REVENUES</b>			
Property taxes	\$ 251,892		\$ 251,892
Licenses and permits	221,783		221,783
Intergovernmental	601,790	\$ 3,222	605,012
Charges for services	141,427		141,427
Interest	26,396	5	26,401
Other	112,423		112,423
Total revenues	<u>1,355,711</u>	<u>3,227</u>	<u>1,358,938</u>
<b>EXPENDITURES</b>			
Current			
Legislative	85,565		85,565
General government	269,707		269,707
Public safety	451,953	3,804	455,757
Public works	188,608		188,608
Culture and recreation	46,859		46,859
Capital outlay	62,411		62,411
Debt service			
Principal and interest	33,944		33,944
Total expenditures	<u>1,139,047</u>	<u>3,804</u>	<u>1,142,851</u>
Excess of revenues and other financing sources over expenditures and other financing uses	216,664	(577)	216,087
Fund balance, beginning of year (restated)	1,575,083	(88)	1,574,995
Fund balance, end of year	<u>\$ 1,791,747</u>	<u>\$ (665)</u>	<u>\$ 1,791,082</u>

**TOWNSHIP OF KIMBALL**  
**ST. CLAIR COUNTY, MICHIGAN**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL AND SPECIAL REVENUE FUND TYPES**  
Year ended March 31, 2004

	General Fund			Special Revenue Fund		
	Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget
<b>REVENUES</b>						
Property taxes	\$244,400	\$ 251,892	\$ 7,492			
Licenses and permits	179,000	221,783	42,783			
Intergovernmental	637,669	601,790	(35,879)	\$ -	\$ 3,222	\$ (3,222)
Charges for services	119,200	141,427	22,227			
Interest	25,000	26,396	1,396	-	5	(5)
Other	73,600	112,423	38,823			
Total revenues	<u>1,278,869</u>	<u>1,355,711</u>	<u>76,842</u>	<u>-</u>	<u>3,227</u>	<u>(3,227)</u>
<b>EXPENDITURES</b>						
Legislative						
Township board	93,000	85,565	(7,435)			
General government						
Supervisor	32,750	26,181	(6,569)			
Elections	19,850	6,751	(13,099)			
Assessor	41,400	42,556	1,156			
Clerk	98,500	87,269	(11,231)			
Board of review	5,100	4,710	(390)			
Treasurer	62,230	58,083	(4,147)			
Administration building	17,450	13,067	(4,383)			
Kleckner Hall	10,700	6,921	(3,779)			
Smiths' Creek building	8,050	4,484	(3,566)			
Cemetery	25,950	19,685	(6,265)			
Public safety						
Ordinance enforcer	24,400	18,040	(6,360)			
Fire protection	212,250	211,566	(684)			
Protective inspection	212,900	206,984	(5,916)			
Planning and zoning	34,950	15,363	(19,587)			
Liquor				-	3,804	3,804

**TOWNSHIP OF KIMBALL**  
**ST. CLAIR COUNTY, MICHIGAN**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL AND SPECIAL REVENUE FUND TYPES**  
Year ended March 31, 2004

	General Fund			Special Revenue Fund		
	Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget
EXPENDITURES (continued)						
Public works						
Department of public works	63,200	55,910	(7,290)			
Drains	14,500	72	(14,428)			
Highways and streets	196,000	100,151	(95,849)			
Street lighting	30,000	32,475	2,475			
Culture and recreation						
Parks and recreation	52,500	42,420	(10,080)			
Library	7,900	4,439	(3,461)			
Capital outlay	146,600	62,411	(84,189)			
Debt service						
Principal and interest	34,000	33,944	(56)			
Total expenditures	<u>1,444,180</u>	<u>1,139,047</u>	<u>(305,133)</u>	<u>-</u>	<u>3,804</u>	<u>3,804</u>
Excess of revenues over expenditures	(165,311)	216,664	381,975	-	(577)	(577)
Fund balance / (deficit), beginning of year (restated)	<u>1,575,083</u>	<u>1,575,083</u>			<u>(88)</u>	
Fund balance / (deficit), end of year	<u>\$ 1,409,772</u>	<u>\$ 1,791,747</u>	<u>\$ 381,975</u>	<u>\$ -</u>	<u>\$ (665)</u>	<u>\$ (577)</u>



**TOWNSHIP OF KIMBALL**  
**ST. CLAIR COUNTY, MICHIGAN**  
**COMBINED STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN RETAINED EARNINGS/FUND BALANCES**  
**ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS**  
**Year ended March 31, 2004**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Perpetual Care</u>	
<b>OPERATING REVENUES</b>			
Service charges	\$ 944,337		\$ 944,337
Penalties	38,723		38,723
Perpetual care		\$ 475	475
Miscellaneous	102,131		102,131
Total operating revenues	<u>1,085,191</u>	<u>475</u>	<u>1,085,666</u>
<b>OPERATING EXPENSES</b>			
Salaries	148,478		148,478
Benefits	47,735		47,735
Operating supplies	19,878		19,878
Water purchases	387,779		387,779
Sewer service cost	286,328		286,328
Professional fees	23,162		23,162
Contracted services	5,181		5,181
Insurance	3,781		3,781
Printing and publishing	1,319		1,319
Utilities	5,333		5,333
Gasoline and oil	3,788		3,788
Repair and maintenance	6,512		6,512
Depreciation and amortization	199,388		199,388
Settlement	23,075		23,075
Miscellaneous	8,239		8,239
Total operating expenses	<u>1,169,976</u>		<u>1,169,976</u>
Operating income (loss)	(84,785)	475	(84,310)
<b>NON-OPERATING REVENUES AND (EXPENSES)</b>			
Interest income	182,105	127	182,232
Interest expense	(147,152)		(147,152)
Total non-operating revenue and (expenses)	<u>34,953</u>	<u>127</u>	<u>35,080</u>
Net income (loss)	(49,832)	602	(49,230)
Retained earnings/fund balance, beginning of year (restated)	9,116,015	20,431	9,136,446
Retained earnings/fund balance, end of year	<u>\$ 9,066,183</u>	<u>\$ 21,033</u>	<u>\$ 9,087,216</u>

The accompanying notes are an integral part of the financial statements

**TOWNSHIP OF KIMBALL**  
**ST. CLAIR COUNTY, MICHIGAN**  
**COMBINED STATEMENT OF CASH FLOWS**  
**ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS**  
**Year ended March 31, 2004**

	Proprietary Fund Types	Fiduciary Fund Types	Total (Memorandum Only)
	Enterprise	Perpetual Care	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from users	\$ 2,564,377	\$ 475	\$ 2,564,852
Cash paid to employees and vendors	(721,944)		(721,944)
Cash received from other funds	1,827,969		1,827,969
Cash paid to other funds	(1,845,623)		(1,845,623)
Net cash flow from operating activities	<u>1,824,779</u>	<u>475</u>	<u>1,825,254</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition/construction of capital assets	(1,196,356)		(1,196,356)
Proceeds from new financing, net of discount	2,646,500		2,646,500
Payments on long-term debt	(175,000)		(175,000)
Interest paid on long-term debt	(147,152)		(147,152)
Net cash flows used by capital and related financing activities	<u>1,127,992</u>		<u>1,127,992</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on investments	182,105	127	182,232
Net cash flows from investing activities	<u>182,105</u>	<u>127</u>	<u>182,232</u>
Increase in cash and cash equivalents	3,134,876	602	3,135,478
Cash and cash equivalents, beginning of year	2,647,012	20,006	2,667,018
Cash and cash equivalents, end of year	<u>\$ 5,781,888</u>	<u>\$ 20,608</u>	<u>\$ 5,802,496</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating income	\$ (84,785)	\$ 475	\$ (84,310)
Adjustments to reconcile operating income to net cash flow from operating activities			
Depreciation and amortization	199,388		199,388
Decrease in accounts receivable	111,531		111,531
Decrease in special assessments receivable	1,287,677		1,287,677
Decrease in amounts due from other funds	229,830		229,830
Increase in accounts payable	248,644		248,644
Increase in accrued expenses	44,669		44,669
Decrease in amounts due to other funds	(212,175)		(212,175)
Net cash flow from operating activities	<u>\$ 1,824,779</u>	<u>\$ 475</u>	<u>\$ 1,825,254</u>

The accompanying notes are an integral part of the financial statements

**TOWNSHIP OF KIMBALL  
ST. CLAIR COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
March 31, 2004**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**INTRODUCTIONS**

The Township of Kimball (the Township) complies with accounting principles generally accepted in the United States of America. The Township's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) Opinions issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

**FINANCIAL REPORTING ENTITY**

The Township of Kimball, Michigan, established in 1855, is a public corporation created under the constitution and statutes of the State of Michigan. Located in St. Clair County, the Township of Kimball covers an area of approximately 36 square miles and is one of 23 townships in St. Clair County, Michigan, each of which is a separate governmental entity. The Township operates under an elected Township Board of Officials, which consists of a Supervisor, Clerk, Treasurer and four Board Members and provides services to its more than 8,600 residents in many areas including fire protection, water, sewer, streets, parks and recreation. In evaluating how to define the Township for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America, currently GASB Statement #14, *The Financial Reporting Entity*.

Based upon the application of these criteria, the general purpose financial statements of the Township contain all the funds and account groups controlled by the Township's Board of Officials as no other entity meets the criteria to be considered a blended component unit or a discretely presented component unit of the Township.

**BASIS OF PRESENTATION**

The accounts of the Township are recorded in separate funds and account groups, each of which is considered to be a separate accounting entity. The major fund categories and account groups are:

**Governmental Funds**

**General Fund** - The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The Fund includes the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state distributions, grants and other governmental revenues.

**Special Revenue Fund** - Special Revenue Funds are used to account for the proceeds of specific revenue sources other than special assessments that are legally or contractually restricted to expenditures for specific purposes. The following fund is included:

- Liquor Control Fund

**TOWNSHIP OF KIMBALL  
ST. CLAIR COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
March 31, 2004**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Fiduciary Funds**

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds. Trust and Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The following funds are included:

- Current Tax Collection Fund
- Trust and Agency Fund
- Perpetual Care Fund

Proprietary Funds - The Enterprise Fund is a Proprietary Fund that reports operations that provide a service, which is financed primarily by charges made against the users of the service. The periodic measurement of net income is appropriate for capital maintenance, public policy, management control and other purposes for the Enterprise Fund. The following funds are included:

- Water & Sewer Fund

**Account Groups**

General Fixed Assets Account Group - This Account Group presents the fixed assets of the local unit utilized in its general operations. Fixed assets used in the general operations of the unit are recorded as expenditures when purchased and are accounted for in the General Fixed Assets Account Group. No depreciation is recorded for these general fixed assets. Infrastructure assets, including roads, bridges, sanitary sewers, drains, curbs and gutters are not capitalized.

General Long-Term Debt Account Group - This Account Group presents the balance of general obligation long-term debt of the Township.

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The accounting of the Township conforms to accounting principles generally accepted in the United States of America as applicable to governmental units.

Governmental Funds are accounted for using the flow of current financial resources measurement focus. With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available spendable resources. Governmental Funds are used to account for all or most of the Township's general activities, including the collection and disbursement of earmarked resources and the servicing of long-term debt.

**TOWNSHIP OF KIMBALL  
ST. CLAIR COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
March 31, 2004**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. Governmental Funds and Agency Funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they are, "measurable and available"). Property taxes, interest and special assessments are susceptible to accrual. Other revenues become measurable and available when cash is received by the Township and are recognized as revenue at that time. The Township considers receivables collected within 60 days after year-end to be available and recognizes them as revenues of the current year. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Expenditures are recorded when the related fund liability is incurred, except interest on long-term debt, which is recorded when paid.

**ASSETS, LIABILITIES AND FUND EQUITY**

Deposits and investments - The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the Township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts or depository receipts of a bank, savings and loan association or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation or National Credit Union Administration, respectively. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Township's investments are in accordance with statutory authority.

Accounts receivable - The Township considers all account receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been provided. If amounts become uncollectible, they will be charged to operations in the period of uncollectibility.

Interfund receivables/payables - During the course of operations numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

Property, plant and equipment - General Fixed Assets Account Groups - Property and equipment acquisitions and dispositions are accounted for as expenditures or revenues in all Governmental Funds. Property and equipment acquired by the Township and used in Governmental Fund type operations are accounted for in the General Fixed Assets Account Group. All property and equipment are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated property and equipment are valued at their estimated fair value on the date donated. No depreciation has been provided for in the General Fixed Assets Account Group.

Proprietary Fund types - Depreciation of all fixed assets used by the Sewer Fund and the Water Fund is charged as an expense against their operations. Accumulated depreciation is reported in these Proprietary Fund balance sheets. Depreciation is computed using the straight-line method over the estimated useful life of the related asset.

**TOWNSHIP OF KIMBALL  
ST. CLAIR COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
March 31, 2004**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The estimated useful lives of fixed assets are:

Water system	50 years
Sewer system	50 years
Buildings	20 years
Equipment	3-5 years
Vehicles	10 years

Long-term obligations - The Township reports long-term debt of Governmental Funds at face value in the General Long-Term Debt Account Group. Certain other Governmental Fund obligations not expected to be financed with current available financial resources are also reported in the General Long-Term Debt Account Group.

Fund equity - The unreserved fund balances for Governmental Funds represent the amount available for budgeting future operations.

**USE OF ESTIMATES**

The process of preparing general purpose financial statements in conformity with accounting principles generally accepted in the United States of America, requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**MEMORANDUM ONLY - TOTAL COLUMN**

The "Total" column on the combined general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis and do not represent consolidated financial information. Data in these columns do not present the financial position or results of operations in conformity with accounting principles generally accepted in the United States of America. This data is not comparable to a consolidation because interfund eliminations have not been made in the aggregation of this data.

**BUDGETS AND BUDGETARY**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General and Special Revenue Funds. All annual appropriations lapse at the fiscal year end. Each fund's appropriated budget is prepared on a detailed line item basis. The Township does not maintain a formalized encumbrance accounting system.

**TOWNSHIP OF KIMBALL  
ST. CLAIR COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
March 31, 2004**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to March 31, the Supervisor submits to the Township Board, a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted at the Township's annual board meeting to obtain taxpayer comments.
3. Prior to April 1, the budget is legally adopted by a Township Board Resolution pursuant to the uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires the budget to be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred unless authorized in the budget or in excess of the amount appropriated. Any expenditure in violation of the budgeting act is disclosed as an unfavorable variance on the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (accounting principles generally accepted in the United States of America basis) - General and Special Revenue Funds.
4. The Supervisor is authorized to transfer budgeted amounts between line items within an activity. However, any revisions that alter the total expenditures of any activity must be approved by the Township Board.
5. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to March 31.

**ENCUMBRANCES**

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

**ACCUMULATED UNPAID BENEFITS**

The Township allows employees to accumulate vacation or sick time from year to year. The liability for the accumulated vacation and sick time is reflected in the General Long-Term Debt Account Group as "Compensated Absences."

**NOTE 2. CASH AND EQUIVALENTS - CREDIT RISK**

Cash deposits and cash investments are carried at cost. Deposits of the Township are in the name of the Township Treasurer at three banks.

At March 31, 2004, the book value of the Township's deposits, consisting of interest bearing checking accounts and money market funds, was \$7,587,079. The bank value was \$7,488,823. Of the bank balance, \$300,000 was covered by Federal Depository Insurance and \$7,188,823 was uninsured.

**TOWNSHIP OF KIMBALL  
ST. CLAIR COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
March 31, 2004**

**NOTE 2. CASH AND EQUIVALENTS - CREDIT RISK (continued)**

Deposits are categorized into these three categories of credit risk:

1. Insured or collateralized with securities held by the entity or by its agent in the entity's name.
2. Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
3. Uncollateralized.

	Category			Total value
	1	2	3	
Cash and equivalents	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ 7,188,823</u>	<u>\$ 7,488,823</u>

**NOTE 3. INTERFUND RECEIVABLES AND PAYABLES**

The amount of the interfund receivables and payables are as follows:

Fund	Interfund receivable	Fund	Interfund payable
General	\$ 211,702	Liquor Enforcement	\$ 9,080
		Water & Sewer	187,275
		Trust & Agency	9,329
		Current Tax	
		Collections	<u>6,018</u>
			211,702
Water & Sewer	28,751	Current Tax	
		Collections	5,782
		Trust & Agency	<u>22,969</u>
			28,751
Perpetual Care	<u>425</u>	General	<u>425</u>
Total	<u>\$ 240,878</u>	Total	<u>\$ 240,878</u>



**TOWNSHIP OF KIMBALL  
ST. CLAIR COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
March 31, 2004**

**NOTE 4. SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The Township maintains an Enterprise Fund, which provides water and sewer services. Segment information for the year ended March 31, 2004, is as follows:

	Water & Sewer Fund
Operating revenues	\$ 1,085,191
Depreciation expense	196,971
Operating income (loss)	(84,785)
Net income (loss)	(49,832)
Contributed capital	4,835,751
Fixed assets:	
Additions	
Net working capital	10,259,245
Bonds and other long-term liabilities payable from operating revenues	4,225,000

**NOTE 5. FIXED ASSETS**

A summary of changes in General Fixed Assets is as follows:

	April 1, 2003	Additions	Deletions	March 31, 2004
Land and improvements	\$ 211,724	\$ 9,460	\$ -	\$ 221,184
Buildings	222,043	-	-	222,043
Equipment	775,186	45,033	-	820,219
Vehicles	1,145,589	-	-	1,145,589
	<u>\$ 2,354,542</u>	<u>\$ 54,493</u>	<u>\$ -</u>	<u>\$ 2,409,035</u>

A summary of changes in Proprietary Fund type fixed assets is as follows:

	April 1, 2003	Additions	Deletions	March 31, 2004
Sewer system	\$ 6,588,817	\$ -	\$ -	\$ 6,588,817
Water system	3,275,902	55,749	-	3,331,651
Buildings	47,078	-	-	47,078
	<u>9,911,797</u>	<u>55,749</u>	<u>-</u>	<u>9,967,546</u>
Less: Accumulated depreciation	3,181,429	196,971	-	3,378,400
	<u>6,730,368</u>	<u>(141,222)</u>	<u>-</u>	<u>6,589,146</u>
Land	7,000	-	-	7,000
Construction in progress	305,937	1,140,607	-	1,446,544
	<u>\$ 7,043,305</u>	<u>\$ 999,385</u>	<u>\$ -</u>	<u>\$ 8,042,690</u>

**TOWNSHIP OF KIMBALL  
ST. CLAIR COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
March 31, 2004**

**NOTE 6. GENERAL LONG-TERM DEBT**

The following is a summary of the general debt of the Township outstanding as of March 31, 2004:

On September 3, 1998 the Township entered into a lease with a leasing company to lease certain fire equipment for a period of seven years. The lease requires annual payments of \$33,944, including interest at 5.3566% through September 2005. At the end of the lease term the Township will receive title to the equipment. The obligation has been treated as a capital lease in the financial statements.

The annual requirements to amortize the fire equipment capital lease outstanding at March 31, 2004, including interest payments of \$5,290 are as follows:

Fiscal year ending March 31, 2004	Fire equipment capital lease
2005	\$ 33,944
2006	33,944
	67,888
Less: Interest	5,290
	<u>\$ 62,598</u>

A summary of changes in General Long-Term Debt is as follows:

	Balance April 1, 2003	Additions	Deletions	Balance March 31, 2004
Compensated absences	\$ 8,707	\$ -	\$ 1,596	\$ 7,111
Fire equipment capital lease	91,436	-	28,838	62,598
	<u>\$ 100,143</u>	<u>\$ -</u>	<u>\$ 30,434</u>	<u>\$ 69,709</u>

**TOWNSHIP OF KIMBALL  
ST. CLAIR COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
March 31, 2004**

**NOTE 7. PROPRIETARY FUND LONG-TERM DEBT**

At March 31, 2004, outstanding debt consisted of the following:

Sewer and Water Special Assessment Bonds dated March 23, 1989 to partially fund the construction of water and sewer lines. Due in installments May 1, 1990 through May 1, 2008 with interest at 6.7% to 7.5%. \$ 75,000

Water Supply System Limited Tax General Obligation Bonds dated February 1, 1990 issued by St. Clair County to partially fund the construction of water lines. The Township has entered into a contract with the County, pursuant to PA 185, 1987, to pay the County amounts sufficient to cover principal and interest payments on these bonds as they become due. Due in installments May 1, 1991 through May 1, 2009 with interest at 5.9% to 7.1%. 330,000

Water Supply System Special Assessment Bonds dated August 1, 1991 to partially fund the construction of water lines. Due in annual installments October 1, 1993 through October 1, 2011 with interest at 5.2% to 7.10%. 240,000

Water Supply System Special Assessment Improvement Bonds Series B (Limited General Obligation) dated April 22, 1999 to partially fund the construction of water lines. Due in annual installments December 1, 2000 to December 1, 2018 with interest at 4.0% to 6.0%. 300,000

Sewer Disposal System Special Assessment Improvement Bonds Series A (Limited General Obligation) dated April 22, 1999 to partially fund the construction of sewer lines. Due in annual installments December 1, 1999 to December 1, 2018 with interest at 4.0% to 5.9%. 775,000

Sewer Disposal System Special Assessment Improvement Bonds dated October 1, 2003 to partially fund the construction of sewer lines. Due in annual installments May 1, 2004 to November 1, 2023 with interest at 2.5% to 4.625%. 2,680,000

Total long-term debt \$ 4,400,000

**TOWNSHIP OF KIMBALL  
ST. CLAIR COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
March 31, 2004**

**NOTE 7. PROPRIETARY FUND LONG-TERM DEBT (continued)**

	Balance April 1, 2003	Additions	Reductions	Balance March 31, 2004
Sewer and Water Special Assessment Bonds dated March 23, 1989	\$ 90,000	\$ -	\$ 15,000	\$ 75,000
Water Supply System Limited Tax General Obligation Bonds Dated February 1, 1990	385,000	-	55,000	330,000
Water Supply System Special Assessment Bonds dated August 1, 1991	275,000	-	35,000	240,000
Water Supply System Special Assessment Improvement Bonds Series B dated April 22, 1999	320,000	-	20,000	300,000
Sewer Disposal System Special Assessment Improvement Bonds Dated October 1, 2003	-	2,680,000	-	2,680,000
Sewer Disposal System Special Assessment Improvement Bonds Series A dated April 22, 1999	825,000	-	50,000	775,000
	<u>\$ 1,895,000</u>	<u>\$ 2,680,000</u>	<u>\$ 175,000</u>	<u>\$ 4,440,000</u>

**TOWNSHIP OF KIMBALL  
ST. CLAIR COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
March 31, 2004**

**NOTE 7. PROPRIETARY FUND LONG-TERM DEBT (continued)**

Debt service requirements - The annual principal and interest requirements through maturity for all debts outstanding as of March 31, 2004:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 175,000	\$ 200,891	\$ 375,891
2006	245,000	182,442	427,442
2007	320,000	170,424	490,424
2008	320,000	156,424	476,424
2009	310,000	142,292	452,292
2010	295,000	128,961	423,961
2011	240,000	117,689	357,689
2012	240,000	107,936	347,936
2013	215,000	97,751	312,751
2014	215,000	89,090	304,090
2015	220,000	80,359	300,359
2016	220,000	71,171	291,171
2017	220,000	61,739	281,739
2018	220,000	52,161	272,161
2019	220,000	42,411	262,411
2020	145,000	32,516	177,516
2021	145,000	26,281	171,281
2022	145,000	19,901	164,901
2023	145,000	13,376	158,376
<u>2024</u>	<u>145,000</u>	<u>6,706</u>	<u>151,706</u>
	<u>\$ 4,400,000</u>	<u>\$ 1,800,521</u>	<u>\$ 6,200,521</u>

Interest expense for the year ended March 31, 2004 was \$147,152.

**NOTE 8. RETIREMENT PLAN**

Substantially all of the full-time employees of the Township are covered by a defined contribution retirement plan. The Township makes contributions to the plan. For the year ended March 31, 2004 the Township contributed \$31,492 to the plan.

**TOWNSHIP OF KIMBALL  
ST. CLAIR COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
March 31, 2004**

**NOTE 9. PROPERTY TAXES**

Property taxes are levied and become a lien on each December 1 on the taxable assessed value listed as of the prior December 31 and are due without penalty on or before February 14 for all real and business personal property located in the Township. The taxable value of the certified roll on December 31, 2003, upon which the levy for the 2004 fiscal year was based, was \$ 191,367,355. The collection of these taxes and remittance to the proper authority are accounted for in the Current Tax Collection Fund. Property taxes are recorded as revenue in the fiscal year beginning immediately subsequent to the tax levy date of December 1.

The tax rates assessed for the year ended March 31, 2004 to finance operations and debt per \$1,000 valuation are as follows:

Township operating	.8001
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**NOTE 10. EXCESS EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS**

PA 621 of 1978, Section 18(1) as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted at the line-item level.

During the year ended March 31, 2004, the Township incurred expenditures in excess of the amounts appropriated, as follows:

Fund	Total appropriations	Amount of expenditure	Budget variance
General government	\$ 41,400	\$ 42,556	\$ 1,156
Public works	30,000	32,475	2,475

During the year ended March 31, 2004, the Township did not prepare a special revenue budget.

**NOTE 11. RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters.

The Township carries commercial insurance for risks to cover these losses. The Township also continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

**TOWNSHIP OF KIMBALL  
ST. CLAIR COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
March 31, 2004**

**NOTE 12. CONTINGENT LIABILITY**

The Township is involved in various legal actions arising in the normal course of business. In the opinion of the Township Board, such matters will not have a material effect upon the financial position of the Township.

**NOTE 13. PRIOR PERIOD ADJUSTMENT**

Prior year receivable estimate miscalculations, resulting in the overstatement of previously reported assets at March 31, 2003, were corrected this year resulting in the following changes to retained earnings:

**WATER AND SEWER FUND:**

Retained earnings at March 31, 2003 as previously stated	\$ 14,999,681
Overstated receivable related to special assessments	<u>5,883,666</u>
Retained earnings at March 31, 2003 as restated	<u>\$ 9,116,015</u>

**NOTE 14. DEFICIT FUND BALANCE**

A deficit fund balance of \$665 exists in the Liquor Control Special Revenue Fund. The deficit results from expenditures over revenues incurred in current and prior years. It is expected that positive operations during the next year will provide a positive fund balance.